

Fiscal Note

Fiscal Services Division



SF 506 – Small Business Health Care Tax Credit (LSB 1899SV)
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Fiscal Note Version – New

Description

Senate File 506 creates an employer income tax credit for employer-paid health insurance costs. The new Iowa tax credit is available for employers with 10 or fewer employees. The tax credit is equal to 25.0% of the credit an employer earns under a similar federal tax credit program that was recently enacted. The Iowa tax credit is refundable.

The change is effective retroactive to January 1, 2011.

Assumptions

- National estimates of the impact of the federal credit on a federal fiscal year basis were provided by the Joint Committee on Taxation.
- Iowa tax credits claimed for federal tax purposes are estimated to equal 1.07% of all federal credits claimed under this program.
- Of the total Iowa federal tax credits claimed, 51.45% is assumed to be claimed by employers with 10 or fewer employees.
- The proposed Iowa tax credit is refundable and is established at 25.0% of the federal credit.
- Refundable tax credits do not impact the Local Option Income Surtax for schools.

Fiscal Impact

The Iowa employer tax credit for employer-paid health insurance costs is projected to reduce net State General Fund revenue by the amounts in the right hand columns of the following table.

Federal Fiscal Year	Estimated Federal Impact in Millions	Iowa's Share of Federal Tax Credit	Ten Employee and Under Share	Proposed Iowa Tax Credit %	Estimate, Federal Fiscal Year Basis, in millions	General Fund Revenue Reduction - Iowa FY Basis In Millions	State Fiscal Year
FFY 2010	\$1,900	1.07%	51.45%	25.0%	\$2.6	\$0.0	FY 2011
FFY 2011	\$4,200	1.07%	51.45%	25.0%	\$5.8	\$6.8	FY 2012
FFY 2012	\$5,200	1.07%	51.45%	25.0%	\$7.2	\$8.0	FY 2013
FFY 2013	\$6,000	1.07%	51.45%	25.0%	\$8.3	\$7.4	FY 2014

The new tax credit is refundable, so there is no impact to the Local Option Income Surtax for schools.

Sources

Department of Revenue Analysis
Joint Committee on Taxation
United States Economic Census

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to Code [Section 2.56](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
